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OIR Report #5840, 12 March 1952, on Soviet expenditures on military preparedness - 1952.

In estimating total Soviet military expenditures for 1952, the OIR Report #5840 has failed to differentiate between the diverse values of the ruble employed by the Soviet Union in economic planning. The result is that the rubles with the purchasing power of 5 US cents and 25 US cents have been treated as though they were equal quantities in analyzing total State Budget expenditures and gross national product. This sort of calculation distorts the magnitude of overall current Soviet national military preparedness effort as well as capabilities for expansion under "hot war" conditions.

It is well known that Soviet Financial practice employs two major types of rubles in the direction and management of its economic planning. In planning physical production the ruble is used as a common denominator for measuring the volume of goods produced--in this usage it is designated as the "cost value ruble." In planning the direction and distribution of goods produced the Soviet Union divorces the "cost value ruble" from the "redistribution" ruble value.

The purchasing power of the "cost value ruble" and that of the "redistribution ruble" may differ as much as from 25 percent to 1500 percent, depending upon the desired objectives to be achieved. The paramount objective of Soviet economic development is admittedly to increase military capabilities in the shortest possible time. The basic means of accomplishing this end, is the value of the "redistribution ruble" for the militarily important objectives, which is so planned by the State that it is about equal or even exceeds the "cost value ruble" in purchasing power. Under the Soviet pricing system the purchasing power of the "redistribution ruble" for wages, salaries, payments to cooperative farms and to peasants, as well as to military personnel is very different from that of the "cost value ruble" and has averaged about one fifth the purchasing power of the "cost value ruble."

OIR Report #5840 estimates of the total Soviet military expenditures, if adjusted to take account of these considerations, between the gross national product and State Budget expenditures, would be as follows:

Soviet direct and indirect military expenditures for 1952:	
As a percent gross national product	65.8
As a percent of State budget expenditures	81.4
US dollar value of direct military expenditures:	
12 billion rubles for military pay	40.6 billion
137 billion rubles for supplies and equipment	334.3 billion
Current US dollar value of indirect, or investment, military expenditures:	
50 billion rubles spent on wages and administration	12.5 billion
50 billion rubles spent on material and equipment	12.5 billion

Total current dollar value of direct and indirect military expenditures of 249 billion rubles - \$49.9 billion
Total current dollar value of the budgetary expenditures \$61.3 billion

The ruble value of the gross national product, according to the OIR estimate about 700 billion. Of this amount military purchase of goods and services amounts to 249 billion rubles, valued as above at - \$49.9 billion

The residue of 451 billion rubles may be evaluated as follows:
Current dollar value of the 43 billion ruble non-military capital investment \$5.5 billion
Current dollar value of 408 billion rubles of personal and collective consumption \$20.4 billion

Total current dollar value of the Soviet gross national product \$75.8 billion

These percentages are derived by the following reconstructions of the OIR estimate of 249 billion rubles; for direct and indirect military expenditures. Direct military expenditures of 149 billion rubles include about 12 billion rubles of military pay, and 137 billion rubles of supplies and equipment (including armaments and ammunition).

The 137 billion rubles represent a purchasing power close to the "cost value ruble" at about 4 rubles to 1 US dollar or equivalent to approximately US \$34.3 billion. The 12 billion ruble expenditures as a military pay represent a purchasing power of "redistribution ruble" equivalent to 20 rubles to 1 US dollar, or about 30.6 billion. Total value of 149 billion rubles of direct military expenditures in 1952 equals \$34.9 billion.

Indirect military expenditures of 100 billion rubles of investment fund may be evaluated as follows:

According to Soviet breakdown of investment costs about 50 percent represents labor and administration costs; material and equipment represents the remainder. Thus 50 percent of investment costs represent rubles of US 5 cent purchasing power value or \$2.5 billion. The material and equipment share of the 100 billion rubles represent rubles of about US 25 cent average purchasing power, or \$12.5 billion. The total value of the 100 billion rubles of indirect military expenditures thus represents a dollar value of \$15.0 billion.

Thus the total amount of Soviet direct and indirect military expenditures of 249 billion rubles represent a purchasing power of \$49.9 billion.

Percent of the Budgetary Expenditures.

Soviet total planned budgetary expenditures for 1952 has been stated at 476.9 billion rubles. Of this amount, according to the OIR estimate, 249 billion represents a total military costs, valued as above at \$49.9 billion.

The remaining part of the expenditures, amounting to 227.9 billion rubles, represents monetary payments in the form of wages, salaries and compensations in the "Social-Cultural" fields, and investments in "non-military" areas of economy.

These expenditures represent the "redistribution rubles" of US 5 cent average purchasing power, or a total of \$11.4 billion.

Total budgetary expenditures for 1952 of 476.9 billion rubles amounts to US \$61.3 billion.

Total military expenditures \$49.9 billion takes thus 81.2% of the total budgetary expenditures.

Percent of Gross National Product

According to the OIR estimate the USSR gross national product in 1952 is about 700 billion rubles, of which military expenditures consume 249 billion rubles, valued as above at \$49.9 billion.

The residue of the gross national product amounts to 451 billion rubles, (of which 143 billion rubles are for non-military capital investments) represents a current dollar value of \$25.9 billion (at a "redistribution ruble" rate of US 5 cents for 429.5 billion rubles, and US 25 cents for 50% of investment fund).

The total value of USSR gross national product in 1952 would amount to \$75.9 billion. Direct and indirect military expenditures \$49.9 billion, or 65.8 percent of the gross Soviet national product.

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